

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-05 L-03 H-02 DODE-00 PA-01 PRS-01

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R 091746Z JUL 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3559

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMCONSUL BELFAST

AMCONSUL EDINBURGH

USNMR SHAPE

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 10748

DEPARTMENT PASS TO LABOR, TREASURY AND FRB

E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: NO COOL WIND IN AUGUST: EXPECTATION OF HIGHER
UNEMPLOYMENT AND PUBLIC EXPENDITURE CUTS

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REF: (A) LONDON 10540; (B) LONDON LONDON 9359

1. BEGIN SUMMARY: GOVERNMENT UNEMPLOYMENT FIGURES WHICH WILL BE ANNOUNCED NEXT ON JULY 20 ARE EXPECTED TO BE RATHER GRIM, AS MANY THOUSANDS OF SCHOOL LEAVERS ARE THROWN ON THE JOB MARKET. THIS RELATIVELY SHARP UPWARD MOVEMENT IN THE CRUDE UNEMPLOYMENT RATE COUPLED WITH PUBLIC EXPENDITURE CUTS WHICH ALSO MAY BE ANNOUNCED LATER THIS MONTH WILL, OF COURSE, PROVIDE CONSIDERABLE ADDITIONAL FODDER FOR THE LEFT-WING IN THE TRADE UNIONS AND THE LABOR PARTY AND OTHER ELEMENTS WHICH ARE ALREADY BITTERLY CRITICIZING THE GOVERNMENT ON ITS PAY POLICY AND OTHER MEASURES. HOWEVER, DESPITE THE BARRAGE OF CRITICISM AND THE POSSIBILITY OF SOME STRIKE ACTION, THE GOVERNMENT IS LIKELY TO COME THROUGH THE EXPERIENCE, SOMEWHAT MORE BATTERED AND BRUISED, BUT ESSENTIALLY IN ONE PIECE. END SUMMARY.

2. IN RESPONSE TO A PARLIAMENTARY QUESTION ON WEDNESDAY, JULY 21, ALBERT BOOTH, SECRETARY OF STATE FOR EMPLOYMENT, WARNED THAT UNEMPLOYMENT FIGURES WERE "VERY BLEAK" AND WOULD REMAIN SO FOR SEVERAL MONTHS. WE ASKED AN OFFICIAL OF THE DEPARTMENT OF EMPLOYMENT WHAT BOOTH MEANT BY THIS AND WE WERE TOLD THAT WHEN UNEMPLOYMENT FIGURES ARE ANNOUNCED ON JULY 20 THERE MAY BE 250,000 OR MORE SCHOOL LEAVERS ADDED TO THE UNEMPLOYMENT FIGURES (WHICH COULD BRING THE UK TOTAL BEFORE SEASONAL ADJUSTMENT NEAR THE 6 PERCENT MARK -- THE HIGHEST RECORDED LEVEL SINCE THE DEPRESSION). WHILE THERE WILL BE LITTLE CHANGE IN THE SEASONALLY ADJUSTED FIGURES, HE INDICATED THE GOVERNMENT IS VERY CONCERNED ABOUT THIS, BUT IT WAS FELT NECESSARY TO "PREPARE PEOPLE" FOR IT -- HENCE BOOTH'S RATHER GLOOMY REMARKS. THE OFFICIAL ADDED THE GOVERNMENT IS CONSIDERING FURTHER MEASURES TO REDUCE UNEMPLOYMENT, ALTHOUGH THESE COULD ONLY HAVE LIMITED IMPACT, AND THAT NO APPRECIABLE IMPROVEMENT CAN BE EXPECTED BEFORE MID-1977.

3. A KEY TUC STAFF MEMBER INVOLVED IN ECONOMIC AFFAIRS TOLD US THAT THE TUC AND THE CBI ARE AWARE OF THE PROBLEM, SINCE THEY WERE APPRISED OF IT BY GOVERNMENT REPRESENTATIVES DURING THE MEETING EARLIER THIS WEEK OF THE NATION-LIMITED OFFICIAL USE

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AL ECONOMIC DEVELOPMENT COUNCIL. HE SAID: "WE FEAR THE WORST, ALTHOUGH WE HAVE NO EXACT FIGURES AT THIS STAGE." THE TUC, HE SAID, EXPECTS THE GOVERNMENT TO TAKE STEPS TO DEAL WITH THE PROBLEM BY MEASURES WHICH WOULD INCLUDE MORE INTENSIVE OR EXTENDED TRAINING PROGRAMS TO PROVIDE SKILLS WHEN THE UPTURN DOES TAKE PLACE.

4. DAVID BASNETT, WHO IS GENERAL SECRETARY OF THE GENER-

AL AND MUNICIPAL WORKERS UNION -- BRITAIN'S THIRD LARGEST
-- , TOLD US THAT THE COMBINATION OF EXPECTED PUBLIC EX-
PENDITURE CUTS AND HIGHER UNEMPLOYMENT FIGURES WILL PRO-
VIDE CONSIDERABLE DEBATING MATERIAL FOR THE TRADE UNION
LEFT AND FOR UNIONS WHICH WILL BE ESPECIALLY HARD HIT BY
EXPENDITURE CUTS AS WELL AS FOR THE LEFT-WING IN THE
LABOR PARTY (THE TRIBUNE GROUP) AND WILL BUILD UP "AGGRO"
(HEIGHTEN TENSIONS). BUT BASNETT -- WHO IS ALSO A LEAD-
ING MEMBER OF THE TUC'S POWERFUL ECONOMIC COMMITTEE, WAS
QUICK TO ADD: "HAVING SAID THAT, I SEE LITTLE ALTERNA-
TIVE."

5. THE GOVERNMENT HAS BEEN UNDER CHALLENGE FROM A VARI-
ETY OF SOURCES. THE NATIONAL UNION OF MINERS HAS DECIDED
TO SUPPORT INDIRECT CHALLENGES TO THE PAY-TAX AGREEMENT

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BETWEEN THE TUC AND THE GOVERNMENT (REF A) BY CALLING FOR
EARLIER RETIREMENT AND A FOURTH WEEK OF VACATIONS. THE
NATIONAL UNION OF PUBLIC EMPLOYEES HAS LAUNCHED A CAM-
PAIGN BY ITS 600,000 MEMBERS TO OPPOSE ANY PUBLIC EXPEN-
DITURE CUTS, EVEN IF IT MEANS A SERIES OF SHORT STRIKES.
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BUSINESS IS ALSO HAVING ITS SAY, AS THE CONFEDERATION OF
BRITISH INDUSTRY IS URGING MORE RELIEF FROM THE PRICE
CODE WHICH HAS ALREADY BEEN REVISED. AND, OF COURSE, THE
GOVERNMENT IS UNDER GENERAL ATTACK BY THE CONSERVATIVES.

6. ON BALANCE, HOWEVER, WE BELIEVE THAT THE GOVERNMENT
WILL WEATHER THE STORM WHICH -- AFTER UNEMPLOYMENT FIG-
URES AND EXPENDITURE CUTS ARE ANNOUNCED -- WILL GROW EVEN
FIERCER. DAVID BASNETT, WHO PUBLICLY OPPOSES PUBLIC EX-
PENDITURE CUTS IS PROVIDING A MORE ACCURATE KEY -- IN
PRIVATE -- TO TRADE UNION BEHAVIOR IN THE FACE OF THOSE
DIFFICULTIES. IN HIS TALK WITH US HE ECHOES THE ANALYSIS
(REF B) OF ANOTHER TRADE UNION LEADER, GEOFFREY DRAIN,
WHO TOLD US IN EFFECT THAT THERE WILL BE A LOT OF SOUND
AND FURY AND SOME INDUSTRIAL ACTION FROM THE TRADE UNION
MOVEMENT OVER THE CUTS BUT THAT IN THE END A CORNERSTONE
OF GOVERNMENT ECONOMIC POLICY -- THE PAY-TAX AGREEMENT --
WILL HOLD.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, UNEMPLOYMENT, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON10748
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760265-0711
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760775/aaaacnlp.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 10540
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2004 by greeneet>; APPROVED <13 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NO COOL WIND IN AUGUST: EXPECTATION OF HIGHER UNEMPLOYMENT AND PUBLIC EXPENDITURE CUTS
TAGS: ELAB, PINT, UK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006